



Legal Department

May 7, 2012

CONFIDENTIAL – RULE 408

Kevin Murray
Chapman and Cutler LLP
201 South Main Street, Ste 2000
Salt Lake City, UT 84111-2266

Re: **Confidential – Settlement Negotiations**
Proposed Administrative Settlement Agreement

Dear Kevin:

As you know, EPA has tendered a proposed final draft of an Administrative Settlement Agreement among Park City Municipal Corporation, United Park City Mining Co., EPA and certain other federal and state agencies for the Richardson Flats Site, OUs 3 and 4 ("Agreement"). Andrea Madigan's April 27, 2012, transmittal of these documents for EPA stated that she hopes to finalize them by May 25, 2012. For that reason, we are hoping that you and your client can give this letter your immediate attention.

Park City has the goal of entering into an Agreement, which we think will serve to resolve many important issues of great interest and concern to the people of Park City. However, two issues constitute serious impediments to meeting EPA's deadline for a final resolution, from Park City's perspective. In view of the enormous investment of time and resources that our respective clients have made in the negotiation process, I believe it would be remiss if we were to fail to make all efforts to explore whether those outstanding issues can yet be resolved between Park City and UPCM. This letter sets forth the offending provisions of the proposed Agreement and suggests alternative language for UPCM's consideration.

First, in paragraph 124, "Upper Watershed Assessments," the April 27, 2012 proposed Agreement contains the following language:

124. EPA shall perform one or more removal site evaluations in the Upper Watershed, depicted on the map in Appendix F to determine if all significant sources of contaminant loading to Silver Creek or East Canyon Creek have been addressed. EPA shall select the sites for evaluation in consultation with the Respondents. If EPA determines in its sole discretion that additional removal actions are necessary to protect public health or the environment, such actions including cost recovery will be addressed outside this Settlement Agreement.

This formulation of paragraph 124 is inconsistent with the scope and nature of the waiver it is being asked to give in paragraph 108. Park City also disagrees that the above language reflects the agreement in principle of the parties' February 2011 meeting at the EPA Regional Office. However, Park City could accept the language EPA originally drafted and tendered in the January 26, 2012, draft Settlement, which Park City believes accurately reflects the agreement in principle:

124. EPA shall perform one or more removal site evaluations in the Upper Watershed, generally depicted on the map in Appendix D. EPA shall select the sites for evaluation in consultation with Park City. If EPA determines in its sole discretion that additional removal actions are necessary to protect public health or the environment, such actions including cost recovery will be addressed outside this Settlement Agreement.

Second, the proposed Agreement contains in paragraph 108, the Waiver provision, the following language:

108. . . . Obligations and the right to enforce any rights or remedies under existing contracts and agreements between Respondents shall remain in effect, except for any such right, remedy or obligation that is within the scope of the waiver of Claims in this Paragraph. . . .

This language upset the long-held and consistent understanding that existing contracts between Park City and UPCM would be listed and carved out of the waiver, as was expressed in the January 26 and previous drafts of the Agreement:

108. . . . Enforcement of any rights or remedies under existing contracts and agreements between Respondents listed in Appendix G are specifically exempted from this waiver. . . .

Andrea Madigan represented that the April 27 version of paragraph 108 relating to contracts resulted from UPCM being unable to retrieve and list all of the existing contracts, leaving EPA unable to create an Appendix G. Andrea Madigan therefore authorized and encouraged Park City to discuss this issue with UPCM through counsel.

Park City proposes a compromise that would make the language in paragraph 108 acceptable. This compromise language would squarely address UPCM's stated inability to create a comprehensive list of contracts, while at the same time preserving the deals struck by the parties under clearly identified contracts:

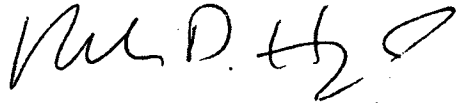
108. . . . Enforcement of any rights or remedies under existing contracts and agreements between Respondents listed in Appendix G are specifically exempted from this waiver. Enforcement of any rights or remedies under existing contracts and agreements between Respondents not listed in Appendix G shall remain in effect, except for any such right, remedy or obligation that is within the scope of the waiver of Claims in this Paragraph. . . .

To facilitate your consideration, we attach the list of identified contracts and agreements.

We look forward to hearing from you at your earliest opportunity, and specifically request a response no later than May 15, 2012, so that Park City may meet EPA's requested deadline for a response.

Yours truly,

PARK CITY MUNICIPAL CORPORATION

A handwritten signature in black ink, appearing to read "Mark D. Harrington", followed by a small circular mark.

Mark D. Harrington
City Attorney

Enclosure: existing agreements

cc: Lori Potter, Esquire
Mark Harrington, City Attorney
Tom Daley, Deputy City Attorney
Joan Card, Environmental Regulatory Affairs Manager

EXCEPTIONS OF WAIVER SET FORTH PARAGRAPH 108
EXISTING AGREEMENTS

1. Agreement by and between United Park City Mines Company, Park City Ventures, Greater Park City Company, and Park City dated as of February 10, 1975 (Judge Tunnel Agreement);
2. Spiro Tunnel Water System Agreement by and between Park City Municipal Corporation, Noranda Mining Inc., and United Park City Mines Company dated of June 2, 1981;
3. Section 7 (Indemnification) of the Ground Lease between United Park City Mines Company and Park City Municipal Corporation dated as of April 30, 2010;
4. Affordable Housing Agreement by and between United Park City Mines Company and Park City Municipal Corporation dated as of October 1, 2009, as amended;
5. Water Agreement by and between United Park City Mines Company and Park City Municipal Corporation dated as of March 2, 2007;
6. Sections 2.1.1, 2.10.5, 2.10.6 and 3.1 and Schedule 3.1 of the Amended and Restated Development Agreement for Flagstaff Mountain, Bonanza Flats, Richardson Flats, the 20-Acre Quinn's Junction Parcel and Iron Mountain by and between United Park City Mines Company and Park City Municipal Corporation dated as of March 2, 2007